

PORT OF CHELAN COUNTY
Chelan County, Washington
January 1, 1991 Through December 31, 1992

Schedule Of Findings

1. The Chelan And Douglas Port Districts Should Adopt A Consistent Method Of Accounting For Their Joint Ownership Of Pangborn Memorial Airport

Pangborn Memorial Airport is owned by Chelan and Douglas Port Districts under a 1988 Joint Operating Agreement which states that each of the parent ports owns an interest in the airport based on a formula using book value of the airport at the inception of the agreement, and the value of any additional capital contributions made by the two port districts. The agreement, however, is silent on the method to be used to account for changes in equity resulting from the airport's operating gains and losses.

Our examination disclosed that the Chelan and Douglas Port Districts each used a different method to allocate the airport's total operating gains and losses to their books. As a result, the cumulative operating losses of the airport have been underreported by the port districts in the amount of \$86,724.

Accounting Principles Board Opinion No. 18, *The Equity Method of Accounting for Investments in Common Stock*, requires an investor to record its share of earnings or losses based on the percentage of ownership in the investee.

This condition occurred because the port districts have not coordinated their efforts to properly implement the provisions of the Joint Operating Agreement, including a method to account for their respective shares of the airport's operating gains and losses.

We recommend that the Chelan and Douglas Port Districts reach a clear agreement to ensure consistency in the allocation of the airport's total gains and losses in accordance with APB No. 18.

We further recommend that appropriate adjustments be made to each port district's accounting records to account for the airport's total cumulative loss since inception of the 1988 Joint Operating Agreement.